



**Asia-Pacific
Economic Cooperation**

2018/SOM3/013
Agenda Item: 6

Report by the Chair of the Economic Committee on EC2 2018

Purpose: Consideration
Submitted by: EC Chair



**Third Senior Officials' Meeting
Port Moresby, Papua New Guinea
19-20 August 2018**

Report by the Chair of the Economic Committee on EC 2 2018

Executive Summary

1. The EC held its second plenary meeting of 2018 on 14-15 August in Port Moresby, Papua New Guinea.
2. EC pursued the following key objectives through its deliberations:
 - a. Advance RAASR Implementation and consider draft RAASR Mid-Term Review Report for submission to 2018 High-Level Structural Reform Officials' Meeting;
 - b. Consider draft 2018 AEPR on Structural Reform and Infrastructure and topic for 2019 AEPR;
 - c. Consider draft Policy Framework on Structural Reform and Inclusive Growth;
 - d. Consider EC contributions to the implementation of the Internet and Digital Economy Roadmap;
 - e. Consider ways to improve the process of producing annual AEPRs.
3. EC endorsed:
 - a. APEC Self-Funded Project Proposal "Stocktake Workshop on the SELI ODR Workplan" (2018/SOM3/EC/026)
 - b. The proposed 2019 AEPR topic "Structural Reform and the Digital Economy", subject to approval by CSOM and AMM.
4. EC noted:
 - a. Discussion Non-Paper on AEPR Approval and Funding Process (2018/SOM3/EC/021)
 - b. Preliminary assessment of the EC Informal Roadmap Group on EC contribution to the implementation of the Internet and Digital Economy Roadmap (2018/SOM3/EC/029).
 - c. Update from the "post-Core Team" on implementation of recommendations from 2017 AEPR on Structural Reform and Human Capital Development (2018/SOM3/EC/014).
5. The following events were held prior to EC 2:
 - a. Workshop on One-Stop Shops for Starting a Business - From Theory to Best Practice (11 August);
 - b. The 11th Conference on Good Regulatory Practices (12-13 August).
6. Prior to the EC 2 Plenary the EC's five Friends of the Chair (FotC) groups also met and then presented to EC the results of their discussions. Some FoTCs presented new proposals for future work, including on a cross-fora basis.
 - a. Strengthening Economic Legal Infrastructure (SELI – led by Hong Kong, China);
 - b. Ease of Doing Business (EoDB – led by the United States);
 - c. Corporate Law and Governance (CLG – led by Viet Nam);
 - d. Regulatory Reform (RR – led by Mexico);
 - e. Public Sector Governance (PSG – led by Thailand).
7. EC 2 featured two policy dialogues on:
 - a. Online Dispute Resolution (initiative of SELI, led by Hong Kong, China, agenda – 2018/SOM3/EC/009);
 - b. Structural Reform and Infrastructure (led by New Zealand as 2018 AEPR Core Team Lead).
8. EC 2 was followed by the High-Level Structural Reform Officials' Meeting (HLSROM, 16-17 August).

Recommendation: that Senior Officials note this report.

Report

The following report describes the proceedings of the EC 2 2018 plenary and summarizes the 11th Conference on Good Regulatory Practices, held just prior to EC 2.

11th Conference on Good Regulatory Practices

The conference was organized prior to EC 2 Plenary by Mexico and Papua New Guinea and focused on regulation in the digital economy, including exploring the role of digital technology in supporting regulatory transparency and engagement, and exploring how economies can work together to ensure that regulatory frameworks account for a more digitalized world and support emerging companies and innovation in the digital economy. Economies discussed recent successes in International Regulatory Cooperation and ways to implement GRP practices in the APEC economies, particularly the adoption of Regulatory Impact Analyses to promote evidence-based regulations. Economies discussed GRP and inclusion and presented their best practices on the digital economy regulatory frameworks. The conference attracted 142 participants from 19 member economies.

EC2 Plenary

Renewed APEC Agenda for Structural Reform (RAASR) Mid-Term Review

PSU presented on the RAASR Mid-Term Review (MTR) Report. In 2015, Structural Reform Ministers agreed to a mid-term and final review of RAASR in 2018 and 2020, respectively. The Report aims to assess progress of economies in their structural reform efforts by examining 17 quantitative indicators and economies' Individual Action Plans, with a view to identifying gaps and way to improve the RAASR implementation moving forward. The MTR has two parts. The first part reviews APEC-wide progress against agreed external indicators, and the second assesses progress of individual economies in implementing structural reforms by comparing their response to the MTR questionnaires with their IAPs. The report concludes that economies performed well in enhancing innovation and productivity and should continue to strengthen these areas. There is a need to redouble efforts towards improving business regulations and facilitating business conduct. Economies could increase efforts towards boosting the competitiveness of labor and financial markets as well as step up measures aimed at strengthening access to basic services and infrastructure and enhancing fiscal and social policies. Economies could do more to ensure that all segments of society participate in markets, particularly by addressing youth employment.

The draft MTR was later also presented to the HLSROM.

Draft Policy Framework on Structural Reform and Inclusive Growth

In 2015 Structural Reform Ministers instructed EC to develop a policy framework on how structural reform, including those being initiated by other APEC committees and working groups, can contribute to inclusive growth.

New Zealand as Collator of the Framework presented a draft which proposes three approaches that economies might take to better harness structural reforms to promote inclusive growth: a) getting the basics right – focusing on the six core structural reform functions which constitute the Economic Committee's work program; b) selecting "pro-inclusion" structural reforms and deepening their application; c) an integrated approach which harnesses both structural reforms and supporting policies and programs in a coordinated and holistic fashion. New Zealand was supported in its efforts by a Small Team consisting of China, the Republic of Korea, the Philippines and Viet Nam.

The draft Framework emphasizes that EC will increasingly need to collaborate with other APEC bodies if its work is to be genuinely supportive of inclusive growth. This is because the second and third

approaches in the framework (selecting pro-inclusion structural reforms and the Integrated Approach) will generally involve working with other parts of the APEC system.

After EC 2 Plenary, the draft framework was also presented to the HLSROM. After SOM 3 it will be finalized for intersessional endorsement by EC.

PSU presented the APEC Regional Trends Analysis which identified better access to human capital development, financial inclusion, elimination of discriminatory practices, fair labour practices, and social inclusion and protection as some of the structural reform-related measures that can be employed to improve inclusion.

Ease of Doing Business

PSU presented on the Interim Assessment of the APEC's Ease of Doing Business (EoDB) Second Action Plan 2016-2018., the Interim Assessment compares the figures obtained by the APEC region in the 2015 base year and 2017 to determine whether APEC's combined performance is on track to meet the overall target of 10% improvement across priority areas for the period 2016-2018.

Looking at the average values recorded by the APEC region, the combined progress for the period 2016-2017 was equal to 7.3%, above the pro-rata target of 6.6%. While the greatest progress was achieved in the priority area of Getting Credit (18.1%), followed by Starting a Business (11.8%); all other areas also reported progress during the aforementioned period.

To share updates on its work to improve the ease of doing business, the United States briefed the EC on the outcomes of the APEC Workshop on One-Stop Shops for Starting a Business – From Theory to Best Practice, which was held in SOM 3 prior to EC 2. It also provided an update on the Workshop on Improving Access to Credit According to International Best Practices, which was held in Mexico City on March 21-22, 2018.

Policy Discussion - Online Dispute Resolution

The Online Dispute Resolution (ODR) Policy Discussion was organised and chaired by Hong Kong, China. The SELI ODR Work Plan was endorsed by EC in 2017 and co-sponsored by 14 economies. Speakers from Hong Kong, China; Japan; Russia and the United States presented and shared experiences on the subject.

The presentations and experience-sharing showed that while MSMEs constitute a great majority of businesses in APEC member economies, they face a number of challenges in cross border trade. ODR could provide a valuable avenue to address some of these challenges by facilitating access to justice and accelerating cross border trade for MSMEs. Relatedly, it was noted that the recent 2018 MRT Statement acknowledges the relevance of developing a cooperative online dispute resolution framework for MSMEs to strengthening MSMEs' competitiveness and internationalisation in the digital age.

From the very active discussion following the presentations, some areas such as enforcement, harmonisation of rules, the legal framework, and other issues relating to the development of an ODR framework were identified as issues requiring further work. Noting that the SELI ODR Work Plan provides pathways to address these issues, participants agreed that these issues could be further discussed in future SELI meetings and EC-endorsed events, such as the workshop for developing a collaborative framework for ODR proposed by United States to be held in November 2018 in Osaka, Japan, and the stocktake workshop on the SELI ODR Work Plan proposed by Hong Kong, China to be held in 2019.

Structural Reform and Human Capital Development

New Zealand provided a progress update of the work of the Post-Core Team for the 2017 AEPR on Structural Reform and Human Capital Development. The Post-Core Team has focused on publicizing, encouraging strong follow-up on, and tracking outcomes of the 2017 AEPR in order to progress the work of APEC in areas such as structural reform and the future of work, education and training for the digital age, active labour market policies and social protection, and cross-fora collaboration on the future of work.

The Post-Core Team suggested that EC should recommend to Senior Officials that they direct HRDWG to follow up on the 2017 AEPR.

There is scope to involve more outside bodies in this work, e.g. ASEAN, ILO, PECC, UN, universities, unions, businesses.

2018 AEPR on Structural Reform and Infrastructure

New Zealand, PSU and Castalia (contractor) presented the final draft of 2018 AEPR on Structural Reform and Infrastructure. The main report consists of two parts: 1) Infrastructure Needs and the Impact of Investment in Physical and Digital Infrastructure on Growth and Connectivity; 2) The Role of Structural Policies in Enabling the Efficient Provision and Management of Infrastructure. APEC economies identified a number of drivers of infrastructure needs including: population growth and ageing populations, transport and connectivity needs, the rise of digital infrastructure, and the need to renew ageing infrastructure to ensure that it is crisis-ready. Many APEC economies face a significant infrastructure financing gap, which is estimated to range from USD 3.1 billion to USD 805.5 billion. The report finds that the following nine key outcomes are important to promoting quality infrastructure: sound infrastructure governance and planning, together with project prioritization processes, fiscal sustainability, the reliable operation and management of infrastructure, ensuring that institutional arrangements allow for private sector involvement and competition where possible, providing an institutional environment that supports private sector financing, institutional settings that promote and adapt to technological change, infrastructure decisions that are aligned with economic and development objectives, appropriate management of the social and environmental impacts of infrastructure, and incorporation of resilience considerations into decision-making. The report also discusses a number of policies in relation to these outcomes.

Economies cited a range of issues around infrastructure development and investment, including developing finance standards that emphasize quality and sustainability (the US), looking holistically at best practices (Singapore), and connecting remote areas (Russia). ABAC also cited the difficulty the private sector has working with government, and the need for government to play a role in improving data quality and setting standards.

SFOM Chair commented that there is a need to create conditions that generate more investment-ready infrastructure projects. To this end he recommended that APEC economies develop a credible pipeline of projects, improve the planning and project selection process, involve private sector early in project development, and address the lack of infrastructure-related data.

The Report will be finalized intersessionally by EC and SFOM for submission to FMM and CSOM/AMM.

Policy Discussion – Structural Reform and Infrastructure

The policy discussion highlighted that the APEC region has a high need for further infrastructure development. Public sector management frameworks and creating institutional environments that support private sector financing are therefore important structural reform issues. Infrastructure

resilience, including to climate change, disasters and security risks in the digital age were also highlighted.

Castalia presented on the findings from the AEPR discussing structural policies that economies should consider:

- deliver value for money infrastructure;
- drive efficient outcomes on infrastructure and related markets;
- promote inclusive growth, environmental sustainability, and resilience.

ABAC's presentation on Structural Reform and Digital Infrastructure (ABAC's annex to 2018 AEPR) identified seven digital economy focus areas and presented related recommendations. It noted that standardization has become a prominent issue for the private sector, and there is a need for member economies to play an active role in facilitating this. It also cited the need for economies to focus on fixed line broadband to underpin mobile internet growth, e-identification initiatives and domestic digital plans. Privacy and security should also be addressed.

PSU presented its report on Peer Review and Capacity Building on APEC Infrastructure Development and Investment in Viet Nam. The presentation highlighted some of the barriers to infrastructure development and investment in Viet Nam particularly in the framework of quality infrastructure. These included a lack of risk-sharing arrangements between governments and investors, and fair and transparent procurement with clear bidding conditions.

The SFOM Chair emphasized the value of EC-SFOM collaboration and indicated SFOM's willingness to identify matters from the AEPR for further collaboration.

A number of economies made comments. In relation to ABAC's presentation, the United States commented that e-identification provides benefits on the government side, but it also raises significant privacy concerns. Russia also emphasized the importance of data protection. However, Russia suggested that data protection and e-identification be discussed by the technical specialists first, noting that TELWG is already covering these topics. China underlined the importance of regional cooperation on cross-border infrastructure and the elimination of bottleneck to facilitate the flow of goods and people.

Update on 2019 AEPR and Improvements of the AEPR Process

Papua New Guinea and Chile proposed the topic of Structural Reform and the Digital Economy for 2019 AEPR, which was supported by a number of economies. The topic was endorsed by EC subject to approval by CSOM and AMM this year.

Chile announced its decision to lead the 2019 AEPR Core Team. Several economies expressed their intention to join the Core Team.

Australia presented its Discussion Non-Paper on the AEPR Approval and Funding Process which proposes some options for improving the current AEPR process, which was noted by the members.

New Zealand offered to put together a manual for future AEPR Core Team Leads in order to preserve and share useful experiences.

EC- PPWE Collaboration

The PPWE Chair presented on the work of the PPWE and on potential areas of collaboration with EC, including the upcoming APEC Public-Private Dialogue on Structural Reform and Gender, which will address the digital-gender divide through legal and regulatory reform, looking at issues such as

infrastructure and women's access to ICT infrastructure, skills and capacity building, EC's input into sectoral structural reform issues which impact women's economic participation in business and trade, strengthening economic and legal infrastructure, and Ease of Doing Business.

New Zealand updated members on preparations for the APEC Public-Private Dialogue on Structural Reform and Gender, which will be held in September 2018 in Wellington.

Remote Areas Development

Russia gave a presentation on Structural Reform and Remote Areas Development in the Digital Era, which outlined a suggested set of characteristics that define remote areas, common challenges of remote areas, current policies aimed at developing remote areas in Russia, including the economy-wide programs for the universal broadband developments, and potential areas for further collaboration in APEC, including infrastructure development in remote areas, securing access of remote communities to basic services, and sharing experiences in the field of government policy.

Structural Reform and the Digital Economy

Australia provided an update from the EC Informal Roadmap Group (IRG), which was tasked to undertake a preliminary assessment of the EC's current work under the Internet and Digital Economy Roadmap and propose next steps. The IRG identified the following focus areas of the Roadmap where the EC could make a significant contribution: development of holistic government policy frameworks for the Internet and Digital Economy, promoting coherence and cooperation of regulatory approaches affecting the Internet and Digital Economy, and enhancing digital economy inclusiveness. It was also noted that the EC should take the lead in APEC's efforts with regards to measurement of the Internet and Digital Economy.

IRG will develop an EC Internet and Digital Economy Work Plan for 2019 (to be endorsed intersessionally by CSOM).

Projects

Economies presented reports on ongoing projects, including Economic Analysis in Horizontal and Non-Horizontal Mergers (Chile), Capacity Building for Managing Single Online Portal for Regulatory Information (Indonesia), APEC Peer Review on Public Consultation Initiatives (Malaysia), Capacity Building Online Program on Better Regulation (Mexico), Comprehensive Review of Potentially Anti-Competitive Laws and Regulations (the Philippines), Promoting Competition Assessment for Improved Market Efficiency in Viet Nam (Viet Nam).

The following planned and proposed projects were presented: APEC/OECD International Regulatory Cooperation Diagnostic to inform the international relevance of new regulatory measures and identify the options to address unnecessary regulatory divergences (Mexico, follow up from the 2017 EC Workshop on Options for Future APEC-OECD Cooperation on GRP – New Zealand), Competition Policy for Regulating Online Platforms in the APEC Region (Mexico), Workshop for Developing a Collaborative Framework for Online Dispute Resolution (the United States), Stocktake Workshop on the SELI ODR Workplan (Hong Kong, China – this self-funded project was endorsed at EC 2 plenary), SOEs Governance Reforms (Japan and Viet Nam – there was no consensus on this proposal), Leveraging Digital Technology to Improve Education Quality in Rural and Remote Areas (Indonesia).

EC Governance

There are no changes to the EC governance. Economies are invited to express interest to take on the role of FoTC Convenors.

Next meeting

The next EC meeting will take place during SOM 1 in Chile. Preliminary program:

- Two-day Workshop on Economic Analysis in Horizontal and Non-Horizontal Mergers (CPLG, APEC-funded, proposed by Chile)
- Competition Policy and Law Group Meeting
- Stocktake Workshop on the SELI ODR Workplan (EC, self-funded by Hong Kong, China)
- EC 1 Plenary
 - o Policy Discussion on Online Dispute Resolution
 - o Policy Discussion on the Use of Blockchain and other Technologies to Promote Transparency and Advance Structural Reform

Annex A: 2018 High-Level Structural Reform Officials' Meeting - 10 Structural Reform Priorities and Gaps to Fill

Annex B: Report by the Chair of the Competition Policy and Law Group